



Billing Code 3410-05-P

DEPARTMENT OF AGRICULTURE

Commodity Credit Corporation

Office of the Secretary

Notice of Sugar Purchase and Exchange for Re-export Program Credits; and Notice of Re-export Program Time Period Extension

AGENCY: Commodity Credit Corporation and Office of the Secretary, USDA.

ACTION: Notice.

SUMMARY: This notice concerns two separate actions. First, the Commodity Credit Corporation (CCC) announces the intent to purchase sugar to be offered in exchange for Refined Sugar Re-export Program credits. CCC will purchase sugar from domestic sugarcane processors or beet processors under the Cost Reduction Options of the Food Security Act of 1985, and concurrently exchange such sugar for credits under the Refined Sugar Re-export Program. Second, USDA announces a waiver to provide an extension of the time period from 90 days to 270 days in which licensed refiners must export or transfer sugar under the Refined Sugar Re-export Program.

DATES: Effective date: **[Insert date of publication in the FEDERAL REGISTER]**.

FOR FURTHER INFORMATION CONTACT: For current market conditions, eligibility, and criteria for evaluation information contact Daniel Colacicco; telephone (202) 690-0734. For sugar purchase and general exchange information contact Pamela McKenzie; telephone (202) 260-8906. For Refined Sugar Re-export Program waiver information contact Ron Lord; telephone (202) 720-6939. Persons with disabilities who

require alternative means for communications (Braille, large print, audio tape, etc.) should contact the USDA Target Center at (202) 720-2600 (voice and TDD).

SUPPLEMENTARY INFORMATION:

USDA's Sugar Program and the Domestic Sugar Market Conditions

Under the Sugar Program, domestic sugar beet or sugarcane processors may borrow from CCC, pledging their sugar as collateral, and then satisfy their loans either by repaying the loan on or before loan maturity or by transferring the collateral to CCC immediately following loan maturity, also known as “forfeiture” of collateral (as specified in 7 CFR 1435.105). The Farm Service Agency (FSA) administers the Sugar Program for CCC. Under section 156 of the Federal Agriculture Improvement and Reform Act of 1996, as amended (Pub. L. 104-127; 7 U.S.C. 7272), the U.S. Department of Agriculture (USDA) is required to operate the Sugar Program, to the maximum extent practicable, at no cost to the Federal government by avoiding forfeitures of sugar loan collateral to CCC. Due to current market conditions, if no actions are taken by CCC, the cost to CCC of acquiring sugar by forfeiture later this year is projected to range from \$110 million to \$320 million.

The Louisiana cane sugar and the U.S. beet sugar crops are setting production records for fiscal year (FY) 2013. The U.S. FY 2013 ending stocks-to-use ratio for sugar was projected at 18.5 percent in the May 2013 USDA World Agricultural Supply and Demand Estimates (WASDE) report, well above its historic average. In the past, an ending stocks-to-use ratio at or above 18 percent has been strongly correlated with low U.S. sugar prices, and with forfeiture of sugar loan collateral to CCC. Record FY 2013

sugar production has caused domestic sugar prices to fall below the support level established by USDA's Sugar Program.

Refined Sugar Re-export Program

The Refined Sugar Re-export Program (7 CFR part 1530) permits licensed refiners to import low duty or duty-free raw cane sugar outside of World Trade Organization or bilateral trade agreement tariff-rate quota limits and requires the licensee to offset the quantity imported by exporting refined sugar, or transferring refined sugar to licensed sugar-containing product (for export) or polyhydric alcohol manufacturers. A participating refiner must maintain a license balance within certain limits. Sugar exported or transferred is subtracted from the license balance, resulting in a license "credit;" sugar imported is added to the balance, resulting in a license "debit." The maximum amount of permitted net debits – that is, the maximum positive license balance – is 50,000 metric tons (MT) raw value. Refiners are not required to have a negative license balance to offer or to exchange credits for sugar offered by CCC. However, refiners will only be permitted to exchange an amount of credits that maintains their license balance at the maximum amount of permitted net debits, 50,000 MT raw value.

CCC Sugar Purchase and Exchange

To reduce the cost of the Sugar Program to the Federal government, prior to the maturity of loans to sugar processors, CCC intends to purchase sugar from the U.S. domestic market and conduct voluntary exchanges of the purchased sugar in return for credits from Refined Sugar Re-export Program licensees under the Refined Sugar

Re-export Program. These exchanges are expected to remove sugar from the market at a lower cost to the Federal government than the cost of acquiring sugar through loan collateral forfeiture.

CCC will invite domestic sugarcane and sugar beet processors to offer sugar to CCC, as authorized by the Cost Reduction Options of the Food Security Act of 1985, as amended (7 U.S.C. 1308a(c)), which permits CCC to purchase sugar provided that the price paid is below the comparable regional or State costs of later acquiring the sugar through loan forfeiture under the Sugar Program. The purchase invitation will describe the information needed from sugar sellers, such as sugar type, amount, storage location, and CCC warehouse code. The purchase invitation will also specify additional details, such as the opening and closing dates for offers and other terms of CCC's sugar purchase. CCC will then post a catalog listing the available sugar quantities. The purchase invitation and catalog will be placed on the FSA Commodity Operations website at <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=coop&topic=landing>. In order to allow for timely market pricing, CCC will permit sugarcane and sugar beet processors to provide price offers to the catalog to coincide with the timing of the exchange announcement's closing bid date.

Subsequently, approximately 10 calendar days later an exchange announcement will be made in which CCC will offer available sugar to Refined Sugar Re-export Program licensees in exchange for credits. The exchange announcement will specify a minimum bid ratio of credits per MT of CCC sugar. The exchange announcement is available on the FSA Commodity Operations website at <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=coop&topic=landing>.

Eligibility

To be eligible to sell sugar to CCC for the exchange, the processor must have sugar under the CCC Sugar Loan Program. The quantity of sugar offered by a processor cannot exceed the sugar processor's outstanding loan quantity as of the offer due date.

To be eligible for the exchange, licensed refiners must present an updated license balance to USDA as verification that the proposed sugar exchange would not cause the refiner to have a positive license balance in excess of 50,000 MT.

Criteria for Evaluation of Tenders (Offers and Exchange Bids)

CCC will combine the sugar offers and exchange bids that achieve the greatest cost reduction relative to the costs of later acquiring the sugar through forfeiture. The specific formula that CCC will use to evaluate and accept offer and bid combinations will be specified in the purchase and exchange invitations.

Refined Sugar Re-export Program Time Period Extension

In order to allow licensed refiners sufficient time to participate in the credit exchange described above, employing the good cause discretionary waiver authority specified in the Refined Sugar Re-export Program regulation in 7 CFR 1530.113, the time period in which licensed refiners must export or transfer an equivalent amount of refined sugar, after entering a quantity of raw cane sugar under the Refined Sugar Re-export Program, if such entry results in a positive balance to their license, is extended as

described below. A positive balance exists when cumulative imports exceed cumulative exports and transfers.

As specified in 7 CFR 1530.105, licensed refiners under the Refined Sugar Re-export Program normally have 90 days after entering a quantity of raw cane sugar under the Refined Sugar Re-export Program to export or transfer an equivalent amount of refined sugar, if the entry results in a positive balance to their license. For any raw sugar entered into U.S. customs territory on a license between the effective date of this notice and September 30, 2013, which results in a positive balance to the license, a licensed refiner will now have 270 days to export or transfer an equivalent amount of sugar. For any sugar entered into U.S. customs territory on a license between October 1, 2013, and March 31, 2014, the deadline to export or transfer an equivalent amount of sugar will now be June 29, 2014. Beginning on April 1, 2014, the 90-day limit specified in the regulation in 7 CFR 1530.105 will apply, and licensed refiners will again have 90 days after any entry that results in a positive license balance to export or transfer an equivalent amount of sugar.

This temporary extension of the time period from 90 days to 270 days will facilitate participation in exchanges for CCC sugar by providing licensed refiners whose accumulated imports may exceed accumulated exports with additional time to export or transfer an equivalent amount of sugar and therefore increase participation in the exchange by licensed refiners.

Signed on June 12, 2013.

Darci L. Vetter,
Acting Under Secretary,
Farm and Foreign Agricultural Services, and

Juan M. Garcia,
Executive Vice President,
Commodity Credit Corporation.

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